

“Quippo owns the largest equipment rental fleet in India.”

– Sunil Kanoria, Vice Chairman and Managing Director, Quippo Infrastructure Equipment Ltd.

The Quippo Group is an India-based global transnational corporation with an asset base of over \$ 200 million, with outlets in Russia and the Middle East as well. Involved as it is in all major infrastructure verticals, Quippo offers a wide array of services across the spectrum, which entails unmatched features like efficient equipment rental solutions to suit the particular needs of many businesses.



Sunil Kanoria, Vice Chairman and Managing Director, Quippo Infrastructure Equipment Ltd.

Sunil Kanoria, Vice Chairman and Managing Director, Quippo Infrastructure Equipment Ltd., the man who has spearheaded Quippo into becoming the country's largest infrastructure equipment rental company, servicing the high-growth verticals of construction, mining, oil and gas, telecom and energy, shares his views with EQUIPMENT INDIA.

Since Quippo's inception, has there been any qualitative and quantitative shift in the equipment rental industry?

Today the industry is being run differently compared to earlier times. For the most part, machines are not kept for long in rental fleets; the used equipment market is increasing in size; rental rates are declining; and the equipment rental market is expanding in India. Even the way equipment is rented and sold is

changing, with e-commerce taking over, especially through auction sites. The traditional roles of the original equipment manufacturers, dealers and representatives are also changing. It is evident that the year 2000 has been a turning point for the rental companies, particularly as interest rates have increased and the dynamics of the industry have changed.

Compared to the international rental market scenario, what are the trends here?

India is emerging as a key international market for equipment rentals. Rental equipment has become one of the leading end-use markets for construction and industrial equipment, and has become one of the hottest subjects of study. The industry has grown tremendously over the last half-decade.

There are a number of companies who have entered this business encouraged by the low interest regime. This will give a further boost to the demand for small and medium-sized equipment. The growth of this sector is interlinked with the growth of the Indian economy and indirectly with the growth of infrastructure.

What is the response from building contractors to the rental concept, as the perception is that renting equipment is expensive?

Contractors rent instead of spending a large sum to buy equipment for occasional use. To rent or not to rent? That's the question many contractors ask when they need construction equipment for a variety of reasons. A few years ago, the equipment rental business seemed to be on the upswing and was the answer to contractors' ability to provide work. After a few years of experience, contractors knew how to proceed with adding to their equipment fleet and the answer was not always buying new equipment. Rental stores hire or subcontract equipment maintenance to

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keep their fleet in working shape. Contractors are freed from the tension of maintenance charges as well as high cost charges. Equipment rental has increased steadily depending on the location and construction job at hand. Rental is here to stay and, unless the economy slides, more and more contractors will rent equipment at some point in their projects.

What is Quippo's footprint in the country?

We have operational hubs and equipment banks in all metro cities like Gurgaon, Hyderabad, Bangalore, Chennai, Mumbai, Ahmedabad, Bhopal, Kolkata, Guwahati, Patna and Bhubaneswar. We plan to expand our pan-Indian presence with proposed hubs in cities like Chandigarh, Lucknow, Raipur, Jhansi, Nagpur and Cochin.

What value-added services does Quippo offer?

Quippo offers end-to-end solutions to give the customers scope for expanding. While the customers concentrate on their core competencies, we give them an entire gamut of services which include equipment, trained operators for efficient

operations, and on-site repairs along with maintenance.

What are the major segments where Quippo is providing rental services?

The major segments that Quippo is providing rental services in, are earthmoving and general construction, soil improvement, concreting, road construction, transport, material handling, engineering infrastructure, etc. The segment that gives us more business is the road construction segment, along with bridges and highways.

What is the nature of the rental service provided? Is it contract-based, or dry or wet leasing?

We provide both dry and wet leasing. We also offer contract based rental services on a case- to -case basis.

How does Quippo source equipment?

Quippo sources new equipment from manufacturers both in India and abroad depending on the requirements in the market. We also buy good quality refurbished equipment from global sources.

Could you also tell us about Quippo's involvement with on-shore drilling rigs?

Quippo offers on-shore rigs for drilling purposes on contracts. Both offshore and on-shore rigs are very expensive and need skilled and trained operators. If a company offers both to oil and gas explorers, there

is benefit for both parties. Hence we take all the risks of CAPEX, technology, O&M and complete project management, giving the customer an alternative to buying.

What is the scenario in the mining rental sector?

Mining rental is new to India. Essentially driven by the demand-supply gap in mining equipment, it is beginning to take shape here. Globally, the mining industry is seeing a boom and major manufacturers are tight on production allocation leading to specific products touching a 15-24 month delivery-led time.

Mining equipment rental touches three primary areas, namely:

- Startup filler**, wherein the rental equipment kickstarts the mining operation till the new equipment arrives.
- Production boosters**, wherein the rental equipment helps to maintain production target in case of shortfalls due to productivity mismatch or higher downtime.
- Core rental**, wherein the contractor or customer has a short contract, upto 2-3 years in an attempt to increase output as sought by their client.

As the residual value market or the used equipment market is not mature in India, the rental business model is gaining prominence. Quippo is significantly

structured to address rental business opportunities, be it construction equipment or mining equipment. With high asset values, longer delivery lead times and lack of the residual value market, Quippo mining is set up to address a potentially huge opportunity in the making.

What are your views on the challenges the equipment rental industry faces?

There are certain regulatory issues for equipment rental companies which need to be addressed.

Logistics is a major concern in this industry. There is no uniformity in the RTO, octroi and entry tax regulations in various states of India. There is variation in the manner in which equipment is classified. Some of the rules are almost ancient. Smooth operation of pan-Indian equipment rental is possible only when the rules are uniform, clear and there is no roadblock for interstate movement of equipment.

We do not get any custom duty benefits for importing equipment even though we play a major role in the infrastructure development of the country. Some of these exemptions are available to other categories of businesses for similar applications.

Quippo, on its part, is working hard to fill the much needed void by making state-of-the-art equipment available with operators. However, another major challenge is financing in our kind of growth-led, asset build-up mode, where revenues do not catch up with assets.

What is Quippo's USP?

Quippo with a presence in all major infrastructure verticals, offers a wide array of services across the spectrum, which include unmatched features like efficient equipment rental solutions to suit the particular needs of many businesses.

Quippo owns the largest equipment rental fleet in India and offers access to most advanced, quality equipment with rental solutions. With a presence in all major cities, Quippo offers a wide coverage of yards all over India.

Committed to our customers' success, we also provide a group of dedicated professionals to help customers with all their needs, any time.





Renting provides flexibility, allowing you to rent for the short, medium and long-term.

play a major role in the infrastructure development of the country. Some of these exemptions are available to other categories of business for similar applications," Kanoria says. "Another major challenge is the financing in our kind of growth-led asset build-up mode where revenues do not catch up with assets."

"The current mentality of industry players, which predominantly is skewed towards equipment ownership, is a major deterrent for growth of both operating lease as well as the organised equipment rental industry. Some tax rebates for such activity could probably be a trigger which will allow the infrastructure service provider to focus on core areas rather than increase capital expenditure," adds Venkateshwaran.

The face of the future

India is emerging as a key international market for equipment rentals. Rental equipment has become one of the leading end-use markets for construction and industrial equipment, and one of the hottest subjects of study. The industry has grown tremendously over the last half-decade. "The equipment rental market is not yet fully developed but there are a number of companies who have

entered this business encouraged by the low interest regime. This will give a further boost to the demand for small and medium-sized equipment. The growth of this sector is interlinked with the growth of the Indian economy and indirectly with the growth of infrastructure. The last few years have witnessed a phase of restructuring in the industry through acquisitions and

MAJOR TRENDS IN EUROPEAN MARKETS

- Specialists companies have grown.
- Large general rental companies bought specialists and created specialist divisions.
- Consolidation is still a major feature of mature rental markets, including the UK and Japan.
- Several Australian companies sought the acquisition of other rental companies on the market.
- A second level of consolidation of companies that were created pursuant to consolidation in Northern America a few years ago, is envisaged.
- The importance of aerial platform rental companies is increasing at a global level.
- A clear drive in the European market is the expansion towards eastern Europe.

Courtesy: Murray Pollock,
Editor of International Rental News, KHL Group

joint ventures. This reflects the active interest of international majors in the domestic markets. The future prospects of this industry are directly linked to the Indian economy which is expected to do well in the future," says Kanoria.

Going by the European experience, equipment purchases for the rental industry constitute 30 to 40 per cent of the entire purchase. Taking a conservative view and since the Indian market is evolving, a 15 to 20 per cent share of the purchases would result in the rental industry growing to Rs 6,000 crore by 2010.

It may take time for the market to evolve, but at the same time, it doesn't make sense to reinvent the wheel. Rather, it's time to benchmark the processes considering the needs of the market with a futuristic vision, and create a strong need-based interface between the OEMs, rental companies, and most importantly, the end-users. There is a need to have a crystal clear focus on imbibing advanced features, and offering realistic prices, timely delivery and a reliable service package to end-users. "Rental is here to stay and, unless the economy slides, more and more contractors will rent equipment at some point in their projects," sums up Kanoria with a positive note.

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